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**KYRGYZSTAN**

## SUCCESS STORY

# Auction Helps Local Budget

### **A successful land auction increased budget for a local government**



Auction participants packed the hall for a chance to bid on land leases.  
Photo credit: Joldosh Dadybaev

***The USAID Land Reform and Market Development Project helped a small municipality organize a transparent lease auction for state-owned land and earn more revenues for the local budget.***

On March 12, 2008 Teplokluchenka Aiyl Okmotu (local government) in Aksuu Rayon, Ysykkol Oblast, held an auction to lease the land of the state-owned Land Redistribution Fund (LRF) that it administers. It was the first auction ever conducted in Teplokluchenka, and the local officials were eager to ensure its success.

Lease payments for LRF land are one of the few sources of direct revenue for aiyl okmotus. However, in the past, this land throughout Kyrgyzstan was simply given directly without any bidding, often to a personal contact of a local official in a “sweetheart deal.” Such deals brought in little money for aiyl okmotus as lease payments were kept artificially low.

Changing the way land leases were given, the auction aroused great interest among the local residents, who packed the auction hall to be part of the event. Approximately 260 people attended, 129 of whom were bidding, turning the event into the best-attended land lease auction in Kyrgyzstan.

The USAID Land Reform and Market Development Project assisted the local authorities in organizing and conducting the auction according to procedures developed by the project. The available LRF land, formerly leased by an agricultural cooperative, was split into 40 lots of irrigated land 1 hectare apiece.

According to Sagyn Sooronbaev, head of Teplokluchenka aiyl okmotu, the auction was a big success. Competitive bidding has quadrupled the lease prices compared to the amounts received previous years. Before the auction, the average lease price for 1 hectare of land was 1,500 som per year (\$42). Through the auction, the average lease price increased to 6,283 som (\$175) per hectare, directly benefiting Teplokluchenka’s budget.

Teplokluchenka earned a total of 251,300 som (\$7,000) from the auction, which represents a major contribution towards meeting the social welfare expenses of the aiyl okmotu. From this experience, local residents were able to see how the whole community benefits from organizing an auction for state-owned land in such a transparent and open manner.